

Decision No. 40924

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALIFORNIA MILK TRANSPORT, INC. : Application
for authorization to issue stock;) No: 27627
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Chas.C. Stratton, for applicant.
Hugh Gordon, for Joe Bozoff; K. Antoyan
and S. Bozigian, protestants.

O P I N I O N

In this application, California Milk Transport, Inc. asks permission to issue and sell to L. C. Clifton 99 shares of its common stock without par value at \$33.33-1/3 per share and to use the proceeds to acquire equipment.

California Milk Transport, Inc. is a corporation organized and existing under the laws of California. It is engaged in hauling milk in the Los Angeles area. It has an authorized stock issue of 5,000 shares of no par value. It has outstanding 1,938 shares owned by the following:

Jos. Perumean, President	291
Joe Bozoff, Vice President	384
Chas. C. Stratton, Secretary-	
Treasurer	204
T. S. Kardashian	294
K. Antoyan	222
S. Bozigian	192
I. Shakarian	291
L. C. Clifton, Gen'l. Superintendent	60
Total	1,938 shares

All of applicant's stockholders except T. S. Kardashian have an interest in Western Milk Transport, a co-partnership and a permitted carrier. Bob Kardashian has an interest in the partnership but owns no stock of California Milk Transport, Inc.

Applicant is a closed corporation in that no shareholder may sell, transfer or hypothecate his stock or any part thereof without first giving to the other shareholders the right to buy said shares, or loan money thereon, upon the same terms and conditions as could be obtained in the open market.

California Milk Transport, Inc. for the past three years and the nine months ended September 30, 1947, has reported revenues and expenses as follows:

Items	1944	1945	1946	1947 Nine Months Ended Sept. 30
Transportation revenues	\$ 482,709.48	\$ 581,334.70	\$ 706,302.08	\$610,588.34
Transportation expenses	<u>507,795.92</u>	<u>612,895.64</u>	<u>666,679.24</u>	<u>562,661.03</u>
Net Operating Revenues	25,086.44*	31,560.94*	39,622.84	47,927.31
Revenues from other operations	8,594.26	- -	- -	- -
Miscellaneous income	<u>8,361.30</u>	<u>270.12</u>	<u>985.78</u>	<u>758.18*</u>
Total non-operating income	16,955.56	270.12	985.78	758.18*
Gross income	8,130.88*	31,290.82*	40,608.62	47,169.13
Income deductions:				
Interest	732.63	1,090.63	1,933.26	1,512.44
Federal income taxes	7,088.73	- -	- -	- -
Expenses-other operations	353.97	- -	- -	- -
Miscellaneous charges to income	- -	<u>95.63</u>	<u>207.07</u>	<u>562.50</u>
Total income deductions	8,175.33	1,186.26	2,140.33	2,074.94
Profit or loss for the year	<u>\$16,306.21*</u>	<u>\$32,477.08*</u>	<u>\$38,468.29</u>	<u>\$ 45,094.19</u>

*Red figure

As of September 30, 1947, California Milk Transport, Inc. reports assets and liabilities as follows:

Assets

Current Assets		
1000	Cash	\$ 44,882.32
1020	Working funds	575.00
1120	Accounts receivable	20,223.56
1180	Materials and supplies	3,976.62
	Total current assets	\$ 69,657.50
Tangible Operating Property		
1200	Carrier operating property	376,339.41
2500	Less: Reserve for deprec.	234,705.55
		141,633.86
1450	Non-operating property	16,465.96
2690	Less: Reserve for deprec.	3,018.84
		13,447.12
1511	Franchise	10,000.00
1550	Other intangible property	11,862.00
1800	Prepayments	20,076.15
	Total Assets	<u>\$266,676.63</u>

Liabilities

Current Liabilities		
2050	Accounts payable	12,751.35
2120	Taxes accrued	6,262.84
2190	Other current liabilities	(744.93)
	Total current liabilities	\$ 18,269.26
Equipment and Long Term Obligations		
2300	Equipment obligations	20,721.76
2360	Other long term obligations	8,388.17
	Total equipment & long term obligations	29,109.93
2450 B	Reserve for profit sharing	12,911.99
2730	Capital stock subscribed	64,600.00
2930	Earned surplus	141,785.45
	Total Liabilities	<u>\$266,676.63</u>

During the early part of 1946 L. C. Clifton, applicant's superintendent who has been with applicant since it began operations in 1932, advised applicant's officers that because of the receipt of an offer from another transportation company he intended to resign his position. To induce him to remain with applicant, its stockholders and Board of Directors by unanimous action at a meeting held on February 1, 1946, agreed to

sell to L. C. Clifton 99 shares of applicant's stock at \$33.33-1/3 a share. These additional shares, added to the shares already owned by L. C. Clifton, would give him an 8% stock interest in the California Milk Transport, Inc. At the same time it was agreed that the partners of Western Milk Transport would give L. C. Clifton an 8% interest in the partnership. This was accomplished by reducing the interest of each partner. Joe Bozoff testified that when such action was taken he was not aware that any of his interest in Western Milk Transport was being transferred to L. C. Clifton. He objects to the issue of the 99 shares of stock at the price indicated. He offered to pay \$100 a share for the stock. Applicant's secretary stipulated that the stock today was worth more than on February 1, 1946, when it was agreed to sell the shares at \$33.33-1/3 a share. Joe Bozoff further objects to the issue of the 99 shares because by such issue protestants' interest in the corporation will be diminished.

We are not now concerned with the control of the corporation or who may acquire the 99 shares. The issue presented by this application is whether the consideration to be paid for the 99 shares should be determined as of the time when applicant's stockholders and Board of Directors concluded to issue such shares or as of the date of the hearing on this application. It is admitted that the stock of California Milk Transport, Inc. at present is worth more than on February 1, 1946. In our opinion the Commission should view the price at which it will authorize a public utility to issue stocks at the time of the hearing on the application and not as of the date of the agreement for the sale of stocks. The order herein will authorize

California Milk Transport, Inc. to issue said 99 shares of stock provided they are sold for not less than \$100 a share.

Applicant has need for the stock proceeds to finance the purchase of truck equipment.

O R D E R

The Commission having considered the evidence submitted at the hearing had on this application by Examiner Fankhauser and it being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required by California Milk Transport, Inc. for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:

1. California Milk Transport, Inc. may, after the effective date hereof and on or before March 1, 1948, issue and sell at not less than \$100 per share, not exceeding ninety-nine (99) shares of its capital stock of no par value, and use the proceeds to pay indebtedness due on equipment or to acquire additional truck equipment.
2. Within sixty (60) days after the issue of said shares of stock, California Milk Transport, Inc. shall file with the Public Utilities Commission a report showing the number of

shares of stock issued under the authority herein granted, the consideration received for said shares of stock, and the purposes for which the proceeds from the sale of said shares of stock were expended.

3. The authority herein granted will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 12th day of November, 1947.

Harold P. Kula
Justice F. Gilman
Just H. Russell
R. E. Dindoray

Commissioners